

**CITY OF DENVER, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2020**

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**City of Denver**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Diercks	Mayor	Jan 2022
Joel Wikner	Mayor Pro Tem	Jan 2022
Jeremie Peterson	Council Member	Jan 2020
Mark Richmann	Council Member	Jan 2020
Sean Hartman	Council Member	Jan 2022
Gavin Carman	Council Member	Jan 2022
Larry Farley	City Manager	Indefinite
Linda Krueger	Deputy City Clerk	Indefinite
Pat Dillon	Attorney	Indefinite

**(After January 2020)**

Rod Diercks	Mayor	Jan 2022
Joel Wikner	Mayor Pro Tem	Jan 2022
Matt Wittenburg	Council Member	Jan 2024
Mark Richmann	Council Member	Jan 2024
Sean Hartman	Council Member	Jan 2022
Gavin Carman	Council Member	Jan 2022
Larry Farley	City Manager	Indefinite
Linda Krueger	Deputy City Clerk	Indefinite
Pat Dillon	Attorney	Indefinite

**City of Denver**

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:  
City of Denver, Iowa

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Basis for Qualified Opinions**

Pursuant to Chapter 11.6 of the Code of Iowa, I was engaged to conduct an agreed-upon procedures engagement of the City of Denver for the year ended June 30, 2019. An agreed-upon procedures engagement is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance as of July 1, 2019.

### **Qualified Opinions**

In my opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Denver as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States. My opinions are not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplementary information included on pages 26 through 29, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the schedule of the City’s proportionate share of the net pension liability and the schedule of city contributions on pages 22 through 25, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of City Council  
City of Denver, Iowa  
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### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 26, 2020 on my consideration of the City of Denver's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Denver's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rachelle Thompson". The signature is written in dark ink on a light-colored background.

RACHELLE K. THOMPSON, CPA  
Hampton, Iowa

October 26, 2020

## **Basic Financial Statements**



City of Denver - Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	<div> <div> <div>Program Receipts</div> <div>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</div> </div> </div>						<div> <div>Component Unit</div> <div>Denver Volunteer Fire Association</div> </div>
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
<b>Functions/Programs</b> <b>Governmental activities</b> Public safety Public works Health and social services Culture and recreation Community and economic development General government Debt service <b>Total governmental activities</b>	\$ 398,840 1,996,401 6,250 206,468 304,006 153,561 631,261 <b>3,696,787</b>	\$ 111,506 129,925 - 18,619 - - - <b>260,050</b>	\$ 135,865 656,477 - 36,577 - - - <b>828,919</b>	\$ (151,469) (1,209,999) (6,250) (151,272) (304,006) (153,561) (631,261) <b>(2,607,818)</b>	\$ - - - - - - - <b>-</b>	\$ (151,469) (1,209,999) (6,250) (151,272) (304,006) (153,561) (631,261) <b>(2,607,818)</b>	
<b>Business type activities</b> Water Electric Sewer Nonmajor business type funds <b>Total business type activities</b>	174,155 1,568,095 235,771 11,427 <b>1,989,448</b>	240,381 1,641,933 559,279 46,008 <b>2,487,601</b>	- - - - <b>-</b>	- - - - <b>-</b>	66,226 73,838 323,508 34,581 <b>498,153</b>	66,226 73,838 323,508 34,581 <b>498,153</b>	
<b>Total primary government</b>	<b>\$ 5,686,235</b>	<b>\$ 2,747,651</b>	<b>\$ 828,919</b>	<b>(2,607,818)</b>	<b>498,153</b>	<b>(2,109,665)</b>	
<b>Component Unit</b> Denver Volunteer Fire Association	<b>\$ 16,175</b>	<b>\$ -</b>	<b>\$ -</b>				(16,175)
<b>General Receipts and Transfers</b> Property and other city tax levied for: General purposes Debt service Tax increment financing Local option sales tax Commercial/industrial tax replacement Unrestricted interest on investments Miscellaneous Sale of capital assets Denver Sunset Home settlement (Note 11) Transfers <b>Total general receipts and transfers</b>				392,743 167,775 273,362 205,259 11,429 20,310 106,724 10,000 - 454,006 <b>1,641,608</b>	- - - - - 16,597 - - (250,150) (454,006) <b>(687,559)</b>	392,743 167,775 273,362 205,259 11,429 36,907 106,724 10,000 (250,150) - <b>954,049</b>	- - - - - 59 35,131 - - - <b>35,190</b>
Change in cash basis net position				(966,210)	(189,406)	(1,155,616)	19,015
Cash basis net position beginning of year				1,864,313	1,470,956	3,335,269	83,534
<b>Cash basis net position end of year</b>	<b>\$ 898,103</b>	<b>\$ 1,281,550</b>	<b>\$ 2,179,653</b>				<b>\$ 102,549</b>
<b>Cash Basis Net Position</b> Restricted: Nonexpendable - Cemetery perpetual care Expendable Streets Urban renewal purposes Debt service Other purposes Unrestricted <b>Total cash basis net position</b>			\$ 70,111 220,844 145,611 26,996 - 434,541 <b>\$ 898,103</b>	\$ - - - - 23,443 1,258,107 <b>\$ 1,281,550</b>	\$ 70,111 220,844 145,611 26,996 23,443 1,692,648 <b>\$ 2,179,653</b>	\$ - - - - - 102,549 <b>\$ 102,549</b>	

See notes to financial statements.

**City of Denver - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Governmental Funds**  
As of and for the year ended June 30, 2020

		Special Revenue			Nonmajor	
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service	Governmental Funds	Total
<b>Receipts</b>						
Property tax	\$ 392,743	\$ -	\$ -	\$ 167,774	\$ -	\$ 560,517
Tax increment financing	-	-	273,362	-	-	273,362
Other city tax	11,716	-	-	-	205,259	216,975
Licenses and permits	4,095	-	-	-	-	4,095
Use of money and property	19,208	-	-	-	1,102	20,310
Intergovernmental	180,850	656,477	-	3,021	-	840,348
Charges for services	271,827	-	-	-	-	271,827
Special assessments	-	18,524	-	-	-	18,524
Miscellaneous	53,563	3,300	-	-	3,750	60,613
<b>Total receipts</b>	<b>934,002</b>	<b>678,301</b>	<b>273,362</b>	<b>170,795</b>	<b>210,111</b>	<b>2,266,571</b>
<b>Disbursements</b>						
Operating:						
Public safety	398,840	-	-	-	-	398,840
Public works	112,997	1,883,404	-	-	-	1,996,401
Health and social services	6,250	-	-	-	-	6,250
Culture and recreation	206,447	-	-	-	21	206,468
Community and economic development	11,091	-	292,915	-	-	304,006
General government	153,561	-	-	-	-	153,561
Debt service	-	-	-	631,261	-	631,261
<b>Total disbursements</b>	<b>889,186</b>	<b>1,883,404</b>	<b>292,915</b>	<b>631,261</b>	<b>21</b>	<b>3,696,787</b>
<b>Excess (Deficiency) of receipts over (under) disbursements</b>	<b>44,816</b>	<b>(1,205,103)</b>	<b>(19,553)</b>	<b>(460,466)</b>	<b>210,090</b>	<b>(1,430,216)</b>
<b>Other financing sources (uses)</b>						
Sale of assets	10,000	-	-	-	-	10,000
Transfers in	70,061	153,944	-	464,251	-	688,256
Transfers out	-	(28,991)	-	-	(205,259)	(234,250)
<b>Total other financing sources (uses)</b>	<b>80,061</b>	<b>124,953</b>	<b>-</b>	<b>464,251</b>	<b>(205,259)</b>	<b>464,006</b>
<b>Change in cash balances</b>	<b>124,877</b>	<b>(1,080,150)</b>	<b>(19,553)</b>	<b>3,785</b>	<b>4,831</b>	<b>(966,210)</b>
Cash balances beginning of year	309,664	1,300,994	165,164	23,211	65,280	1,864,313
<b>Cash balances end of year</b>	<b>\$ 434,541</b>	<b>\$ 220,844</b>	<b>\$ 145,611</b>	<b>\$ 26,996</b>	<b>\$ 70,111</b>	<b>\$ 898,103</b>
<b>Cash Basis Fund Balances</b>						
Nonspendable-Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 70,111	\$ 70,111
Restricted for:						
Debt service	-	-	-	26,996	-	26,996
Streets	-	220,844	-	-	-	220,844
Urban renewal	-	-	145,611	-	-	145,611
Unassigned	434,541	-	-	-	-	434,541
<b>Total cash basis fund balances</b>	<b>\$ 434,541</b>	<b>\$ 220,844</b>	<b>\$ 145,611</b>	<b>\$ 26,996</b>	<b>\$ 70,111</b>	<b>\$ 898,103</b>

See notes to financial statements.

**City of Denver - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Proprietary Funds**

As of and for the year ended June 30, 2020

	Enterprise				
	Water	Electric	Sewer	Nonmajor	Total
<b>Operating receipts</b>					
Charges for service	\$ 235,354	\$ 1,565,895	\$ 557,269	\$ 46,008	\$ 2,404,526
<b>Operating disbursements</b>					
Business type activities	174,155	1,568,095	235,771	11,427	1,989,448
<b>Excess (Deficiency) of operating receipts over (under) operating disbursements</b>	<b>61,199</b>	<b>(2,200)</b>	<b>321,498</b>	<b>34,581</b>	<b>415,078</b>
<b>Non-operating receipts</b>					
Interest on investments	1,042	15,406	-	149	16,597
Miscellaneous	5,027	76,038	2,010	-	83,075
<b>Total non-operating receipts</b>	<b>6,069</b>	<b>91,444</b>	<b>2,010</b>	<b>149</b>	<b>99,672</b>
<b>Excess of receipts over disbursements</b>	<b>67,268</b>	<b>89,244</b>	<b>323,508</b>	<b>34,730</b>	<b>514,750</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	51,315	-	51,315
Transfers out	-	(70,061)	(403,520)	(31,740)	(505,321)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(70,061)</b>	<b>(352,205)</b>	<b>(31,740)</b>	<b>(454,006)</b>
<b>Unusual disbursements</b>					
Denver Sunset Homes settlement (Note 11)	-	(250,150)	-	-	(250,150)
<b>Change in cash balances</b>	<b>67,268</b>	<b>(230,967)</b>	<b>(28,697)</b>	<b>2,990</b>	<b>(189,406)</b>
Cash balances beginning of year	273,184	791,377	379,890	26,505	1,470,956
<b>Cash balances end of year</b>	<b>\$ 340,452</b>	<b>\$ 560,410</b>	<b>\$ 351,193</b>	<b>\$ 29,495</b>	<b>\$ 1,281,550</b>
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ -	\$ -	\$ -	\$ 23,443	\$ 23,443
Unassigned	340,452	560,410	351,193	6,052	1,258,107
<b>Total cash basis fund balances</b>	<b>\$ 340,452</b>	<b>\$ 560,410</b>	<b>\$ 351,193</b>	<b>\$ 29,495</b>	<b>\$ 1,281,550</b>

See notes to financial statements.

## City of Denver – Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric and solid waste utilities for its citizens.

#### Reporting Entity

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Denver (the primary government) and the Denver Firefighter's Association (a component unit).

#### Discretely Presented Component Unit

The Denver Volunteer Fire Association is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose for which this corporation is organized is for a charitable purpose which is to be operated exclusively for the independent enhancement and improvement of the Fire Department of the City of Denver, Iowa. The Denver Volunteer Fire Association is presented as a discretely presented component unit in these financial statements.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Consolidated Public Safety Communications Board, Black Hawk County Conference Board, Black Hawk County Management on Aging, Black Hawk County Solid Waste Management Commission and Multi-Jurisdictional Hazard Mitigation Plan-Dunkerton and Gilbertville.

#### Basis of Presentation

**Government-wide Financial Statement** – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

## City of Denver – Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the city, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Urban Renewal Tax Increment Fund* is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The *Debt Service* fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major enterprise funds:

The *Enterprise, Water Fund* accounts for the operation and maintenance of the City's water system.

## City of Denver – Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

The *Enterprise, Electric Fund* accounts for the operation and maintenance of the City's electric utility system.

The *Enterprise, Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

#### Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly,

the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts.

Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

***Nonspendable*** – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

***Restricted*** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

***Assigned*** – Amounts the City Council intends to use for specific purposes.

**City of Denver – Notes to the Financial Statements**

**(1) Summary of Significant Accounting Policies**

**Unassigned** – All amounts not included in the preceding classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the debt service function.

**Estimates and Assumptions**

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had the following investments:

<b>Investment</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Certificates of Deposit	\$ 1,271,263	\$ 1,271,263

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the certificates of deposit was determined using other observable inputs. (Level 2 inputs)

**Interest rate risk** – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

## City of Denver – Notes to the Financial Statements

### (3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation Notes/Bonds	\$ 1,252,719	\$ -	\$ 206,226	\$ 1,046,493	\$ 140,418
Urban Renewal Tax Increment Financing Revenue Bonds	<u>2,241,379</u>	<u>-</u>	<u>167,127</u>	<u>2,074,252</u>	<u>169,625</u>
<b>Governmental activities total</b>	<b><u>\$ 3,494,098</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 373,353</u></b>	<b><u>\$ 3,120,745</u></b>	<b><u>\$ 310,043</u></b>
<b>Business type activities</b>					
<b>Sewer Revenue Notes</b>	<b><u>\$ 5,460,647</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 5,160,647</u></b>	<b><u>\$ 306,000</u></b>

### General Obligation Bonds and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Storm Sewer Improvement Issued Nov 15, 2011			Ambulance Issued Jun 6, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.90%	\$ 30,000	\$ 870	4.25%	\$ 15,418	\$ 1,338
2022		-	-	4.25%	16,075	683
2023		-	-		-	-
2024		-	-		-	-
2025		-	-		-	-
2026-2030		-	-		-	-
		<u>\$ 30,000</u>	<u>\$ 870</u>		<u>\$ 31,493</u>	<u>\$ 2,022</u>

Year Ending June 30,	South State Street Issued Mar 29, 2019			TOTALS	
	Interest Rates	Principal	Interest	Principal	Interest
2021	3.00%	\$ 95,000	\$ 29,550	\$ 140,418	\$ 31,758
2022	3.00%	100,000	26,700	116,075	27,383
2023	3.00%	105,000	23,700	105,000	23,700
2024	3.00%	105,000	20,550	105,000	20,550
2025	3.00%	110,000	17,400	110,000	17,400
2026-2030	3.00%	<u>470,000</u>	<u>36,000</u>	<u>470,000</u>	<u>36,000</u>
		<u>\$ 985,000</u>	<u>\$ 153,900</u>	<u>\$ 1,046,493</u>	<u>\$ 156,792</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. The Bonds are payable from ad valorem taxes levied against all taxable property within the City.



## City of Denver – Notes to the Financial Statements

### (3) Bonds and Notes Payable

In November 2011, the City issued \$300,000 of general obligation storm sewer improvement bonds with an interest rate of 2.9% per annum. The bonds were issued for the purpose of paying the costs of constructing certain street, curb and gutter and storm sewer improvements. During the year ended June 30, 2020, the City paid \$30,000 of principal and \$1,740 of interest on the bonds.

In June 2017, the City issued a \$74,124 general obligation note with an interest rate of 4.25% per annum. The note was issued for the purpose of purchasing an ambulance. During the year ended June 30, 2020, the City paid \$14,784 of principal and \$1,972 of interest on the notes.

In March 2019, the City issued \$1,0750,000 of general obligation corporate purpose bonds with an interest rate of 3.0% per annum. The bonds were issued for the purpose of paying the costs of constructing certain street, curb and gutter and storm sewer improvements. During the year ended June 30, 2020, the City paid \$90,000 of principal and \$38,029 of interest on the bonds.

#### Urban Renewal Tax Increment Financing Revenue Bonds

The City's June 30, 2020 urban renewal tax increment financing revenue bonds payable is as follows:

Year Ending	Housing Grants Issued Jun 1, 2015			Silber Property Issued Jun 30, 2016			Sterling Tops Issued Jan 31, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
June 30,									
2021	3.625-4.00%	\$ 77,500	\$ 15,516	4.00%	\$ 25,000	\$ 6,000	2.75%	\$ 10,400	\$ 858
2022	3.625-4.00%	77,500	12,613	4.00%	25,000	5,000	2.75%	10,400	572
2023	3.625-4.00%	77,500	9,709	4.00%	25,000	4,000	2.75%	10,400	286
2024	3.625-4.00%	77,500	6,806	4.00%	25,000	3,000	-	-	-
2025	3.625-4.00%	77,500	3,903	4.00%	25,000	2,000	-	-	-
2026-2030	3.625-4.00%	25,000	1,000	4.00%	25,000	1,000	-	-	-
2031-2035	3.625-4.00%	-	-	-	-	-	-	-	-
2036-2038	3.625-4.00%	-	-	-	-	-	-	-	-
		<u>\$ 412,500</u>	<u>\$ 49,547</u>		<u>\$ 150,000</u>	<u>\$ 21,000</u>		<u>\$ 31,200</u>	<u>\$ 1,716</u>

Year Ending	Brothers Market Issued Aug 1, 2017			Willow Winds Issued Dec 18, 2017			TOTALS	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
June 30,								
2021	5.00%	\$ 12,140	\$ 14,150	4.50%	\$ 44,585	\$ 53,880	\$ 169,625	\$ 90,404
2022	5.00%	12,747	13,543	4.50%	46,591	51,874	172,239	83,601
2023	5.00%	13,385	12,906	4.50%	48,688	49,777	174,973	76,678
2024	5.00%	14,054	12,237	4.50%	50,879	47,586	167,433	69,629
2025	5.00%	14,757	11,534	4.50%	53,168	45,297	170,425	62,734
2026-2030	5.00%	85,618	45,836	4.50%	303,958	188,368	439,576	236,204
2031-2035	5.00%	109,271	22,180	4.50%	378,787	113,538	488,058	135,718
2036-2038	5.00%	21,245	1,052	4.50%	270,678	24,718	291,923	25,770
		<u>\$ 283,217</u>	<u>\$ 133,438</u>		<u>\$1,197,335</u>	<u>\$575,038</u>	<u>\$ 2,074,252</u>	<u>\$ 780,738</u>

In January 2013, the City issued \$104,000 of urban renewal tax increment financing (TIF) revenue bonds with an interest rate of 2.75% per annum. The bonds are for the purpose of planning, undertaking and carrying out projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by the increased property values in the City's urban renewal district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal increment financing revenue bonds shall be expended only for purposes which

## City of Denver – Notes to the Financial Statements

### (3) Bonds and Notes Payable

are consistent with the city's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$32,916, payable through June 2023. During the year ended June 30, 2020, the City paid \$10,400 principal and \$1,144 of interest on the bonds.

In September 2014, the City issued a \$335,000 urban renewal tax increment financing (TIF) revenue bond with an interest rate of 4.125%, authorized by Section 403.9 of the Code of Iowa for the purpose of planning, undertaking and carrying out an urban renewal project within the Denver Urban Renewal Area, consisting of making an economic development forgivable loan to Brothers Market in connection with the construction of a grocery store. The bonds are not a general obligation of the City and are payable solely and only from incremental property tax revenues generated within the Denver Urban Renewal Area. The bonds were refinanced in August 2017, at an interest rate of 5.00% and an additional 5 years. Total principal and interest remaining on the bonds is \$416,655, payable through June 2036. For the current year, the City paid \$11,562 of principal and \$14,728 of interest.

In June 2015 and 2016, the City issued \$525,000 and \$250,000, respectively, of urban renewal tax increment financing (TIF) revenue bonds with interest rates of 3.625% and 4.00%, respectively. The bonds were for the purpose of repaying the General Fund for 19 housing grants that have been completed. The bonds are not general obligations of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the combined bonds is \$462,047, payable through June 2026. For the current year, the City paid \$77,500 of principal and \$18,419 of interest.

In June 2016, the City issued a \$250,000 of urban renewal tax increment financing (TIF) revenue bonds with an interest rate of 4.00% for the purpose to purchase real estate for future development within the Denver Urban Renewal Area. The bonds are not payable from general funds and are not a general obligation of the City, but are payable solely and only from the income and proceeds of the Urban Renewal Tax Revenue Fund. Total principal and interest remaining on the bonds is \$171,000, payable through June 2023. For the current year, total principal and interest of \$25,000 and \$7,000, respectively was paid on the bonds.

In December 2017, the City issued \$1,240,000 urban renewal tax increment financing (TIF) revenue bonds with an interest rate of 4.50%, authorized by Section 403.9 of the Code of Iowa for the purpose of planning, undertaking and carrying out an urban renewal project within the Denver Urban Renewal Area, consisting of making an economic development forgivable loan to Larson Properties II, LLC, d/b/a Willow Winds Assisted Living in connection with the construction of a new assisted living facility. The bonds are not a general obligation of the City and are payable solely and only from incremental property tax revenues generated within the Denver Urban Renewal Area. Total principal and interest remaining on the bonds is \$1,772,373, payable through June 2038. For the current year, total principal and interest of \$42,665 and \$55,800, respectively was paid on the bonds.

## City of Denver – Notes to the Financial Statements

### (3) Bonds and Notes Payable

#### Revenue Bonds

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer Issued Aug 29, 2014		
	Interest Rates	Principal	Interest
2021	1.75%	\$ 306,000	\$ 100,153
2022	1.75%	312,000	93,973
2023	1.75%	318,000	87,673
2024	1.75%	325,000	81,243
2025	1.75%	331,000	74,683
2026-2030	1.75%	1,759,000	270,315
2031-2035	1.75%	1,809,647	86,788
		<u>\$5,160,647</u>	<u>\$ 794,828</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,602,647 in sewer revenue bonds issued in August 2014. Proceeds from the bonds provided financing for construction, improvements and extensions to the municipal sanitary sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2035. The municipal sanitary sewer customer rates shall be at least sufficient to meet the operation and maintenance expenses of the sanitary sewer system and to produce and maintain net revenue at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same fiscal year. Total principal and interest remaining to be paid on the bonds is \$5,955,475. For the current year, principal and interest paid and total customer net receipts were \$406,214 and \$321,498, respectively.

The resolutions providing for the issuance of the revenue bonds includes the following provisions:

- The bonds will only be redeemed from the future earnings of the enterprise activity and bond holders hold a lien on the future earnings of the fund.
- Sufficient monthly transfers shall be made to separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During fiscal year 2020, user rates were not established at a level to produce net receipts equal to at least 110% of the principal and interest on the bonds falling due during fiscal year 2020. Also, the City is not being charged for service, as required.

### (4) Pension Plan

**Plan Description** – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

**(4) Pension Plan**

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions** – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage

City of Denver – Notes to the Financial Statements

(4) Pension Plan

point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City’s contributions to IPERS for the year ended June 30, 2020 totaled \$61,939.

**Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2020, the City reported a liability of \$270,814 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.0046767%, which was an decrease of 0.000479% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$75,172, \$67,391 and \$84,420, respectively.

There were no non-employer contributing entities to IPERS.

**Actuarial Assumptions** – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## City of Denver – Notes to the Financial Statements

### (4) Pension Plan

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
<b>Total</b>	<b><u>100.0%</u></b>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability .....	\$ 612,996	\$ 270,814	\$ (16,040)

**IPERS' Fiduciary Net Position** – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

### (5) Other Postemployment Benefits (OPEB)

**Plan Description** – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$65,581 and plan members eligible for benefits contributed \$4,855 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

## City of Denver – Notes to the Financial Statements

### (5) Other Postemployment Benefits (OPEB)

**OPEB Benefits** – Individuals who are employed by the City of Denver and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2020, there were 7 active and no retired members covered by the benefit terms.

### (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Maximum sick leave that may be accumulated is ninety days. Vacation is payable when used and accumulates on each employee's anniversary date. These accumulations are not recognized as a disbursement by the City until used or paid. At the end of employment, employees are paid any unused vacation, and providing the employee has given a two notice and employee has completed ten years of employment with the City of Denver, the City will also pay out one-half accumulated sick leave. The City's liability for earned vacation leave and 50% of accumulated sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, was approximately \$76,000. This liability has been computed based on rates of pay in effect at June 30, 2020.

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
General	Enterprise Electric	\$ <u>70,061</u>
Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	<u>153,944</u>
Debt Service	Special Revenue Road Use Tax	28,991
	Enterprise Sewer	403,520
	Storm Water	<u>31,740</u>
		<u>464,251</u>
Enterprise Sewer	Special Revenue Local Option Sales Tax	<u>51,315</u>
<b>Total</b>		<b>\$ <u>739,571</u></b>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## City of Denver – Notes to the Financial Statements

### (8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### (9) Development Agreements

The City entered into a development agreement with Larson Properties II, LLC, d/b/a Willow Winds Assisted Living (company) for the construction of a 24-unit assisted living facility with a minimum taxable valuation to generate incremental property tax revenue sufficient to repay principal and interest on the City's \$940,000 taxable urban renewal tax increment revenue bonds. In addition, the City made a separate \$300,000 non-interest bearing forgivable loan to the company, subject to the company completing an expansion project within ten years after completion of the original project. Taxable urban renewal tax increment revenue bonds issued in this development agreement totaled \$1,240,000.

The City has entered into a development agreement with Brothers Market (developer) for the operation of a grocery store and an ACE Hardware store. The City agreed to pay the developer a monthly amount equal to the amount of the total utility bill paid in the prior month by the developer, not to exceed a total of \$250,000 over a five year period. In addition, payments are contingent upon the developer's net profit, where if net profit for the prior fiscal year is at least \$250,000, no additional payments will be provided by the City for that year, or if it is determined that a net profit was achieved for the prior fiscal year of between \$249,999 and \$200,000, payments from the City will be reduced by 25% for that year of the agreement. During the year ended June 30, 2020, the City rebated \$12,987 of utility payments to the developer.

### (10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax or utility payments paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated no property tax under urban renewal and economic development agreements.

#### Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2020 as a result of any agreements entered into by other entities.



## **City of Denver – Notes to the Financial Statements**

### **(11) Litigation**

The City was involved in a law suit where a large utility customer was overbilled on electricity for twenty-nine years due to an incorrect multiplier on their meter. The suit was settled during the year ended June 30, 2020, and the City agreed to pay the customer \$250,000 cash and provide a \$250,000 electric utility credit. As of June 30, 2020, the remaining utility credit was \$243,600.

### **(12) Commitments**

As of June 30, 2020, the City had entered into various construction contracts totaling approximately \$1,830,000. The projects were at various stages of completion and as of June 30, 2020, the City had paid approximately \$1,360,000 and had a remaining commitment of approximately \$470,000. All of these project will be completed during fiscal year 2021.

### **(13) Subsequent Events**

Management has evaluated subsequent events through October 26, 2020, the date the financial statements were available to be issued.

### **(14) Contingency**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

## Other Information

**City of Denver - Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds**  
Other Information

Year ended June 30, 2020

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total</b>	<b>Budgeted Amounts</b>		<b>Final to Total Variance</b>
				<b>Original</b>	<b>Final</b>	
<b>Receipts</b>						
Property tax	\$ 560,517	\$ -	\$ 560,517	\$ 563,677	\$ 563,677	\$ (3,160)
Tax increment financing	273,362	-	273,362	292,917	292,917	(19,555)
Other city tax	216,975	-	216,975	188,586	188,586	28,389
Licenses and permits	4,095	-	4,095	15,170	15,170	(11,075)
Use of money and property	20,310	16,597	36,907	38,870	38,870	(1,963)
Intergovernmental	840,348	-	840,348	803,410	803,410	36,938
Charges for services	271,827	2,404,526	2,676,353	2,795,647	2,795,647	(119,294)
Special assessments	18,524	-	18,524	50,000	50,000	(31,476)
Miscellaneous	60,613	83,075	143,688	68,050	99,050	44,638
<b>Total receipts</b>	<b>2,266,571</b>	<b>2,504,198</b>	<b>4,770,769</b>	<b>4,816,327</b>	<b>4,847,327</b>	<b>(76,558)</b>
<b>Disbursements</b>						
Public safety	398,840	-	398,840	441,131	441,131	42,291
Public works	1,996,401	-	1,996,401	2,050,078	2,125,078	128,677
Health and social services	6,250	-	6,250	6,250	6,250	-
Culture and recreation	206,468	-	206,468	206,013	246,613	40,145
Community and economic development	304,006	-	304,006	319,917	319,917	15,911
General government	153,561	-	153,561	141,597	181,597	28,036
Debt service	631,261	-	631,261	626,540	626,540	(4,721)
Business type activities	-	2,239,598	2,239,598	2,212,076	2,612,076	372,478
<b>Total disbursements</b>	<b>3,696,787</b>	<b>2,239,598</b>	<b>5,936,385</b>	<b>6,003,602</b>	<b>6,559,202</b>	<b>622,817</b>
<b>Excess (Deficiency) of receipts over (under) disbursements</b>	<b>(1,430,216)</b>	<b>264,600</b>	<b>(1,165,616)</b>	<b>(1,187,275)</b>	<b>(1,711,875)</b>	<b>546,259</b>
Other financing sources, net	464,006	(454,006)	10,000	1,065,000	1,065,000	(1,055,000)
<b>Change in fund balances</b>	<b>(966,210)</b>	<b>(189,406)</b>	<b>(1,155,616)</b>	<b>(122,275)</b>	<b>(646,875)</b>	<b>(508,741)</b>
Balances beginning of year	1,864,313	1,470,956	3,335,269	2,172,577	2,172,577	1,162,692
<b>Balances end of year</b>	<b>\$ 898,103</b>	<b>\$1,281,550</b>	<b>\$ 2,179,653</b>	<b>\$ 2,050,302</b>	<b>\$ 1,525,702</b>	<b>\$ 653,951</b>

See accompanying independent auditor's report.

## **City of Denver – Notes to Other Information – Budgetary Reporting**

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$555,600. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the debt service function.

City of Denver - Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Other Information

For the Last Six Years\*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability.....	0.0046767%	0.0051553%	0.0051513%	0.0051996%	0.0045593%	0.0041584%
City's proportionate share of the net pension liability.....	\$ 270,814	\$ 326,243	\$ 343,139	\$ 327,227	\$ 225,253	\$ 164,919
City's covered payroll.....	\$ 574,183	\$ 582,781	\$ 566,091	\$ 541,578	\$ 514,752	\$ 494,979
City's proportionate share of the net pension liability as a percentage of its covered payroll .....	47.17%	55.98%	60.62%	60.42%	43.76%	33.32%
IPERS' net position as a percentage of the total pension liability .....	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Denver – Schedule of City Contributions  
Iowa Public Employees’ Retirement System  
Other Information

For the Last Nine Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Satutorily required contribution .....	\$ 61,939	\$ 55,537	\$ 53,809	\$ 51,899	\$ 50,010	\$ 48,034	\$ 46,124	\$ 42,796	\$ 39,000
Contributions in relation to the statutorily required contributions ...	<u>(61,939)</u>	<u>(55,537)</u>	<u>(53,809)</u>	<u>(51,899)</u>	<u>(50,010)</u>	<u>(48,034)</u>	<u>(46,124)</u>	<u>(42,796)</u>	<u>(39,000)</u>
Contribution deficiency (excess) ....	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
City’s covered payroll.....	\$ 646,102	\$ 574,183	\$ 582,781	\$ 566,091	\$ 541,578	\$ 514,752	\$ 494,979	\$ 467,325	\$ 483,271
Contributions as a percentage of covered payroll .....	9.59%	9.67%	9.23%	9.17%	9.23%	9.33%	9.32%	9.17%	8.07%

Note: Information for fiscal year 2011 was not available.

See accompanying independent auditor’s report.

## City of Denver - Notes to Other Information – Pension Liability

Year ended June 30, 2020

### Changes of benefit terms

There are no significant changes in benefit terms.

### Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

## **Supplementary Information**



**City of Denver - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds**

As of and for the year ended June 30, 2020

	<u>Special Revenue</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
	<u>Local Option Sales Tax</u>		
<b>Receipts</b>			
Other city tax	\$ 205,259	\$ -	\$ 205,259
Use of money and property	-	1,102	1,102
Miscellaneous	-	3,750	3,750
<b>Total receipts</b>	<u>205,259</u>	<u>4,852</u>	<u>210,111</u>
<b>Disbursements</b>			
Operating:			
<b>Culture and recreation</b>	<u>-</u>	<u>21</u>	<u>21</u>
<b>Excess of receipts over disbursements</b>	<u>205,259</u>	<u>4,831</u>	<u>210,090</u>
<b>Other financing sources (uses)</b>			
<b>Transfers out</b>	<u>(205,259)</u>	<u>-</u>	<u>(205,259)</u>
<b>Change in cash balances</b>	-	4,831	4,831
Cash balances beginning of year	-	65,280	65,280
<b>Cash balances end of year</b>	<u>\$ -</u>	<u>\$ 70,111</u>	<u>\$ 70,111</u>
<b>Cash Basis Fund Balances</b>			
<b>Nonspendable-Cemetery perpetual care</b>	<u>\$ -</u>	<u>\$ 70,111</u>	<u>\$ 70,111</u>

See accompanying independent auditor's report

City of Denver - Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Bonds/Notes</b>								
Economic Development-TIF	February 1, 2008	4.35%	\$ 275,000	\$ 27,500	\$ -	\$ 27,500	\$ -	\$ 1,197
Fire equipment	April 26, 2010	2.90%	323,684	22,774	-	22,774	-	837
Storm sewer improvement	November 15, 2011	2.90%	300,000	60,000	-	30,000	30,000	1,740
Ambulance	June 6, 2017	4.25%	74,124	46,277	-	14,784	31,493	1,972
Freightliner dump truck	March 24, 2016	3.44%	79,970	21,168	-	21,168	-	744
South State street	March 29, 2019	3.00%	1,075,000	1,075,000	-	90,000	985,000	38,029
<b>Total</b>				<b>\$ 1,252,719</b>	<b>\$ -</b>	<b>\$ 206,226</b>	<b>\$1,046,493</b>	<b>\$ 44,519</b>
<b>Urban Renewal Tax Increment Financing Revenue Bonds</b>								
Sterling Tops	January 31, 2013	2.75%	\$ 104,000	\$ 41,600	\$ -	\$ 10,400	\$ 31,200	\$ 1,144
Housing grants	June 1, 2015	3.625 - 4.00%	775,000	490,000	-	77,500	412,500	18,419
Silbert property	June 30, 2016	4.00%	250,000	175,000	-	25,000	150,000	7,000
Brothers Market	August 1, 2017	5.00%	335,000	294,779	-	11,562	283,217	14,728
Willow Winds	December 18, 2017	4.50%	1,240,000	1,240,000	-	42,665	1,197,335	55,800
<b>Total</b>				<b>\$ 2,241,379</b>	<b>\$ -</b>	<b>\$ 167,127</b>	<b>\$2,074,252</b>	<b>\$ 97,091</b>
<b>Revenue Bonds</b>								
<b>Sewer</b>	<b>August 29, 2014</b>	<b>2.00%</b>	<b>\$ 6,602,647</b>	<b>\$ 5,460,647</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$5,160,647</b>	<b>\$ 106,214</b>

See accompanying independent auditor’s report.

City of Denver - Bond Maturities

June 30, 2020

General Obligation Bonds							
Year	Storm Sewer Improvement		Ambulance		South State Street		
Ending	Issued Nov 15, 2011		Issued Jun 6, 2017		Issued Mar 29, 2019		TOTALS
June 30,	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	Principal	Principal
2021	2.90%	30,000	4.25%	15,418	3.00%	95,000	140,418
2022		-	4.25%	16,075	3.00%	100,000	116,075
2023		-		-	3.00%	105,000	105,000
2024		-		-	3.00%	105,000	105,000
2025		-		-	3.00%	110,000	110,000
2026		-		-	3.00%	110,000	110,000
2027		-		-	3.00%	115,000	115,000
2028		-		-	3.00%	120,000	120,000
2029		-		-	3.00%	125,000	125,000
2030		-		-		-	-
		30,000		31,493		985,000	1,046,493

TIF Revenue Bonds											Revenue Bonds		
Year	Housing Grants		Silber Property		Sterling Tops		Brothers Market		Willow Winds		TOTALS	Sewer	
Ending	Issued Jun 1, 2015		Issued Jun 30, 2016		Issued Jan 31, 2013		Issued Aug 1, 2017		Issued Dec 18, 2017			Issued Aug 29, 2014	
June 30,	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	Principal	Rates	Principal	Rates	Principal	Principal	Rates	Principal
2021	3.625-4.00%	77,500	4.00%	25,000	2.75%	10,400	5.00%	12,140	4.50%	44,585	169,625	1.75%	306,000
2022	3.625-4.00%	77,500	4.00%	25,000	2.75%	10,400	5.00%	12,747	4.50%	46,591	172,239	1.75%	312,000
2023	3.625-4.00%	77,500	4.00%	25,000	2.75%	10,400	5.00%	13,385	4.50%	48,688	174,973	1.75%	318,000
2024	3.625-4.00%	77,500	4.00%	25,000		-	5.00%	14,054	4.50%	50,879	167,433	1.75%	325,000
2025	3.625-4.00%	77,500	4.00%	25,000		-	5.00%	14,757	4.50%	53,168	170,425	1.75%	331,000
2026	3.625-4.00%	25,000	4.00%	25,000		-	5.00%	15,495	4.50%	55,561	121,056	1.75%	338,000
2028		-		-		-	5.00%	16,269	4.50%	58,061	74,330	1.75%	345,000
2028		-		-		-	5.00%	17,083	4.50%	60,674	77,757	1.75%	351,000
2029		-		-		-	5.00%	17,937	4.50%	63,404	81,341	1.75%	359,000
2030		-		-		-	5.00%	18,834	4.50%	66,258	85,092	1.75%	366,000
2031		-		-		-	5.00%	19,775	4.50%	69,239	89,014	1.75%	373,000
2032		-		-		-	5.00%	20,764	4.50%	72,355	93,119	1.75%	380,000
2033		-		-		-	5.00%	21,802	4.50%	75,611	97,413	1.75%	388,000
2034		-		-		-	5.00%	22,893	4.50%	79,013	101,906	1.75%	396,000
2035		-		-		-	5.00%	24,037	4.50%	82,569	106,606	1.75%	272,647
2036		-		-		-	5.00%	21,245	4.50%	86,285	107,530		-
2037		-		-		-		-	4.50%	90,167	90,167		-
2038		-		-		-		-	4.50%	94,226	94,226		-
		412,500		150,000		31,200		283,217		1,197,335	2,074,252		5,160,647

See accompanying independent auditor's report.

**City of Denver - Schedule of Receipts By Source and Disbursements By Function -  
 All Governmental Funds**

For the Last Nine Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Receipts</b>									
Property tax	\$ 560,517	\$ 485,271	\$ 468,379	\$ 460,835	\$ 428,724	\$ 420,810	\$ 417,960	\$ 429,894	\$ 408,320
Tax increment financing	273,362	420,800	210,299	138,473	66,931	53,257	41,663	39,019	92,893
Other city tax	216,975	188,324	169,684	181,697	169,794	178,076	162,502	158,308	124,299
Licenses and permits	4,095	5,021	16,244	14,387	14,988	14,080	13,723	14,110	12,314
Use of money and property	20,310	49,546	26,635	22,296	20,001	15,920	7,677	17,574	27,448
Intergovernmental	840,348	395,147	352,099	377,665	374,267	331,855	200,377	194,555	284,315
Charges for services	271,827	238,877	312,774	254,356	243,980	236,666	328,957	325,275	209,481
Special assessments	18,524	16,874	-	-	-	-	-	-	-
Miscellaneous	60,613	31,640	172,290	139,701	49,628	56,213	51,195	24,416	256,637
<b>Total receipts</b>	<b>\$2,266,571</b>	<b>\$1,831,500</b>	<b>\$1,728,404</b>	<b>\$1,589,410</b>	<b>\$1,368,313</b>	<b>\$1,306,877</b>	<b>\$1,224,054</b>	<b>\$1,203,151</b>	<b>\$1,415,707</b>
<b>Disbursements</b>									
Operating									
Public safety	\$ 398,840	\$ 395,660	\$ 438,206	\$ 568,231	\$ 357,399	\$ 427,722	\$ 341,088	\$ 355,816	\$ 560,374
Public works	1,996,401	493,506	618,389	601,106	407,757	346,284	425,909	369,765	376,027
Health and social services	6,250	6,250	6,250	6,250	6,900	5,850	6,160	2,421	-
Culture and recreation	206,468	230,641	189,336	205,544	292,997	259,224	186,977	182,067	180,476
Community and economic development	304,006	284,626	986,981	647,794	538,828	662,064	616,791	16,473	1,320
General government	153,561	122,591	129,787	124,397	104,538	101,217	94,196	104,500	86,386
Debt service	631,261	497,982	702,980	133,152	480,124	140,642	194,506	362,687	315,601
Capital projects	-	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>\$3,696,787</b>	<b>\$2,031,256</b>	<b>\$3,071,929</b>	<b>\$2,286,474</b>	<b>\$2,188,543</b>	<b>\$1,943,003</b>	<b>\$1,865,627</b>	<b>\$1,393,729</b>	<b>\$1,520,184</b>

Note: Information for fiscal year 2011 was not available.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council  
City of Denver

I have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Denver, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated October 26, 2020. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Denver's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Denver's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Denver's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Denver's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-20 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Denver's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do

To the Honorable Mayor and  
Members of the City Council  
City of Denver  
Page 2

not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.


Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Denver's Responses to the Findings**

City of Denver's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. City of Denver's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA

Hampton, Iowa  
October 26, 2020

## City of Denver – Schedule of Findings

June 30, 2020

### Part I: Summary of the Independent Auditor's Results

- (a) Qualified opinions were issued on the financial statements based on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which was material to the financial statements.

### Part II: Findings Related to the Financial Statements

#### INSTANCES OF NON-COMPLIANCE

No matters were noted.

#### INTERNAL CONTROL DEFICIENCIES

##### II-A-20 Segregation of Duties

**Criteria** – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

**Condition** – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal and reconciling the bank accounts.

**Cause** – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

**Effect** – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

**Auditor's Recommendation** – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**City's Response** – We will consider this and attempt to segregate duties where possible.

**Auditor's Conclusion** – Response accepted.

## City of Denver – Schedule of Findings

June 30, 2020

### Part III: Other Findings Related to Required Statutory Reporting

**III-A-20 Certified Budget** – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

**Recommendation** – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** – The budget will be amended in the future, if applicable.

**Conclusion** – Response accepted.

**III-B-20 Questionable Disbursements** – No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**III-C-20 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-20 Business Transactions** – No business transactions between the City and City officials or employees were noted.

**III-E-20 Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**III-F-20 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**III-G-20 City Council Minutes** – No transactions were found that I believe should have been approved in the City Council minutes but were not.

**III-H-20 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

**III-I-20 Revenue Bonds** – The following instances of non-compliance with the sewer revenue bond requirements were noted:

- The provisions of the sewer revenue bond resolution require the City of produce net operating receipts equal to at least 110% of the principal and interest on the bonds as they come due. During the fiscal year ended June 30, 2020, net operating receipts were 79% of the sewer revenue bond principal and interest.
- The City’s sewer revenue bond resolution requires all users of the system, including the City, be charged for usage. The City is not being charged for usage.

**Recommendation** – The revenue bond requirements should be reviewed and the City should be charged for usage. Customer sewer rates should also be reviewed be increased if necessary.

**Response** - We will review the revenue bond requirements and customer sewer rates.

**Conclusion** – Response accepted.



## City of Denver – Schedule of Findings

June 30, 2020

**III-J-20 Annual Urban Renewal Report** – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

**III-K-20 Unclaimed Property** – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State (State) annually. I noted the City remitted several outstanding obligations to the State during the year, however, there remain several more outstanding checks which are older than two years.

**Recommendation** – Outstanding obligations should be reviewed annually and outstanding checks over two years old should be remitted to the State annually, as required.

**Response** - We are working on locating the individuals to whom the outstanding checks were written to and we will remit amounts that we are unable to resolve.

**Conclusion** – Response accepted.

**III-L-20 Payment of General Obligation Bonds** – Principal and interest on the City's general obligation economic development bonds were paid from the TIF Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

**Recommendation** – The City should transfer from the TIF Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

**Response** – The City made the final payment on this bond issue during the year ended June 30, 2020. We will make general obligation debt payments from the Debt Service Fund in the future.

**Conclusion** – Response accepted.